



COUNTRY RESULTS BRIEF 2018

MOZAMBIQUE



AFRICAN DEVELOPMENT BANK GROUP



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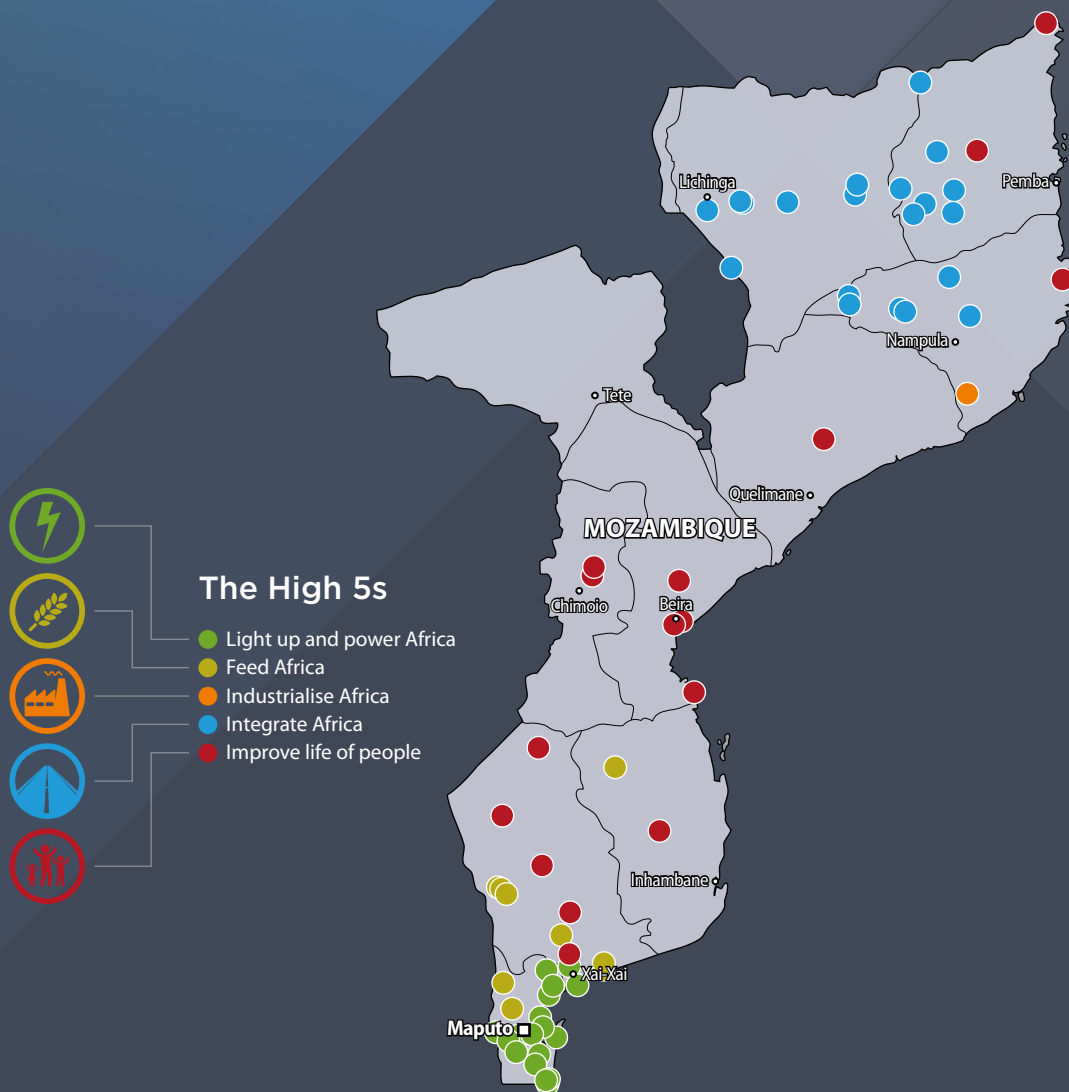
Note: In this report, “\$” refers to US dollars.

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OUR OPERATIONS IN MOZAMBIQUE, 2007-2017



The Bank remains committed to increasing the transparency of its operations. MapAfrica, its geocoding tool, has been revamped with a focus on five critical areas of the Ten-Year Strategy: Light up and power Africa, Feed Africa, Industrialise Africa, Integrate Africa and Improve the quality of life for the people of Africa. Explore our 7000 project locations through the High 5s by visiting mapafrica.afdb.org.

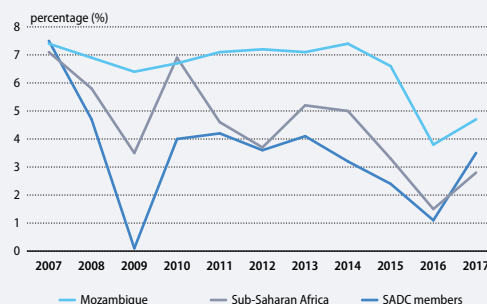
A STRONG PARTNERSHIP TO BUILD ON MOZAMBIQUE'S POTENTIAL

Over the last decade, Mozambique has been one of the fastest-growing African economies, enjoying average economic growth of about 8% between 2004 and 2015. It received strong support from the international community during the period (for example, in 2014 it received US\$2 billion in official development assistance). In parallel, the country has embarked on major reforms—especially fiscal reforms and tax administration—and has opened up to foreign investment, particularly for the exploitation of its natural resources.

Since 2016, Mozambique's economy has experienced a severe slowdown that has led to a drop in **GDP growth** to 3.8% in 2016 and 3.7% in 2017, compared to an average of 7.3% in the prior 10 years. This slowdown was due largely to a fall in the prices of traditional export products and a significant drop in foreign direct investment. In addition, the country's debt situation had become unsustainable, and governance issues related to debt accumulation had led to the deterioration of relations with the country's international partners. At the same time, however, **GDP per capita** has increased slightly, from US\$377 in 2007 to US\$480 in 2017.

The country is among the poorest in the world: in 2016 it was ranked 181 out of 188 countries in the UNDP Human Development Index. Despite rapid growth, the Mozambican economy has not experienced significant structural transformation, and it remains highly dependent on the country's natural resources and on the agriculture sector, which accounted for 24% of GDP in 2017. The size of the country and the low density of the population, which is distributed over a huge territory, represent challenges for the country's development. Mozambicans in many rural areas face difficulties accessing energy, transportation, water and sanitation. The country is also one of the world's most vulnerable to climate risks, especially because the majority of the rural population is very dependent on subsistence rain-fed farming.

FIGURE 1: GDP GROWTH IN MOZAMBIQUE AND IN THE SOUTHERN AFRICA REGION, 2007-2017



Mozambique's economic governance has deteriorated: on the Country Policy and Institutional Assessment (CPIA) of the African Development Bank (AfDB, or the Bank), which annually assesses the quality of policies and the performance of institutional frameworks in the 54 African countries, Mozambique's score decreased from **3.6** in 2007 to **3.3** in 2016, below the continent's average. Mozambique has also fallen two places (to 23 out of 54) **in** the Mo Ibrahim Index of African Governance 2017, a ranking that highlights the country's governance vulnerabilities.

Mozambique has many assets for development. It has important mining, agricultural and hydroelectric resources, as well as huge gas

Indicators	Mozambique		ADF countries	
	2007	2017	2007	2017
● Real gross domestic product (GDP) growth (%)	7.4	3.7	6.6	4.8
● GDP per capita (constant 2010 US\$)	377	515	685	850
● CPIA	3.6	3.3	3.1	3.4
● Mo Ibrahim Index of African Governance (0 low-100 high)	53	52	45	48
● Tax and non-tax fiscal revenues (percentage of GDP)	16.1	23.1	13.6	14.3

The bullets indicate that: ● Bank operations achieved 95% or more of their targets ● Progress is positive but less than peers, or no progress against the baseline ● There has been regression against the baseline

resources that will make it one of the largest producers in the world in a few years, opening opportunities to become an energy hub for the southern region. Its geographical location is also an important asset for development and regional integration: besides its proximity to South Africa, Mozambique has a 2700-km coastline that offers access to the Indian Ocean to five landlocked countries of the subregion. This will be important for the development of infrastructure, especially transport. Finally, the country is very attractive for foreign direct investment (US\$4.9 billion in 2014), especially for boosting the development of the extractive industries.

Mozambique Development Plan

A new long-term national development strategy — the *Estratégia Nacional de Desenvolvimento* (ENDE) — was approved in 2014.

Its main objective is to improve the livelihoods of the population through the structural transformation of the economy and the expansion and diversification of national production. The ENDE builds on the potential transformational effect of natural resources exploration, pointing to industrialisation as the main way for the country to achieve prosperity, competitiveness and inclusive growth. The areas of focus under the ENDE are fully consistent with the Bank's High 5s and the operational priorities of the Bank Group's Ten-Year Strategy.

Mozambique's current development challenge is to achieve an inclusive and green development model that can effectively reduce poverty through structural transformation and industrialisation, generating decent jobs, and properly harnessing the country's natural resources potential. ■

40 YEARS OF PARTNERSHIP WITH THE BANK

The Bank has been a key partner of Mozambique for over 40 years and is committed to support the country's efforts to build an inclusive and green economy. Since 1977, the Bank has financed more than 100 projects for a total amount of \$2 billion, focusing in particular on investments in agriculture and transport. As of December 1, 2017, the Bank's total portfolio in Mozambique consisted of 20 lending operations amounting to \$623 million and two regional operations amounting to \$164 million, bringing the total ongoing portfolio to \$787 million. In addition, there are four ongoing private sector operations for a total commitment value of \$352 million. This includes the Nacala rail and port project, one of the largest private sector investments in Africa. Of this portfolio, 71% is infrastructure financing, mostly transport corridors (62%).

The AfDB will implement a new Country Strategy Paper (CSP) for 2018–2022. With the two pillars of infrastructure and agriculture as its basis, this new CSP will contribute to *Light up and power Africa*, *Feed Africa*, and *Integrate Africa* and thus to the achievement of several Sustainable Development Goals (SDGs). The strategy will focus on structural transformation and industrialisation and will address key fragility vectors by reinforcing climate, social, and economic resilience. It will promote sustainable infrastructure, sustainable natural capital management and efficient management of natural resource revenues. It will address spatial inequalities by promoting economic development in the rural areas, where poverty is pervasive, with an emphasis on the northern regions, where development needs are higher.

This country brief on Mozambique presents the country's development progress over the past 10 years and discusses AfDB's contribution to that progress, particularly through its High 5 priorities: *Light up and power Africa*, *Feed Africa*, *Industrialise Africa*, *Integrate Africa*, and *Improve the quality of life of the people of Africa*. This report reviews these five priorities in Mozambique's context using indicators from the AfDB Results Measurement Framework. Each

**FIGURE 2: MOZAMBIQUE COUNTRY BRIEF
IN 6 FIGURES**



811 kms: the extent of roads financed by the AfDB between 2007 and 2017



1.8 million people gained access to water and sanitation between 2007 and 2017, thanks to our investments



1500 jobs will be created through the Nacala rail project.



We financed **1350 kms of power distribution lines**, facilitating access to electricity by **822 000 people**



435 000 people benefited from microcredit loans through the Growth and Public Sector Efficiency programme



The income of **8000 smallholder farm families** has increased, thanks to our investments supporting irrigation

of the first five chapters reviews Mozambique's progress and the Bank's support in one of the High 5 areas. Finally, Chapter 6 assesses how effectively the Bank manages its operations in Mozambique. ■

1





LIGHT UP AND POWER MOZAMBIQUE

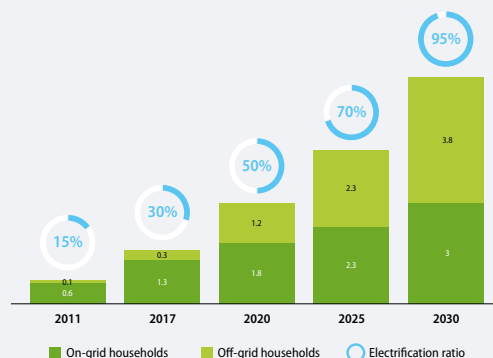
Mozambique's energy potential is among the highest on the African continent. With its vast resources, the country should be able to meet domestic demand for electricity and become one of the continent's largest exporters. This chapter presents the country's energy situation and reviews the Bank's support for the sector.

Despite Mozambique's energy potential, ● **access to electricity** remains low: only 29% of the population have access to the electricity grid. However, this rate—which is below the average of ADF¹ countries—represents a significant step forward since 2007, when only 12% of Mozambicans had access to electricity.

Nevertheless, the country produces almost three times as much electricity as it consumes: ● **installed electrical capacity** today is 2600 MW (compared to 2500 MW in 2007), and the country consumes about 900 MW. The surplus is exported to neighbouring countries, particularly South Africa and Zimbabwe. The national production is based mainly on hydroelectricity, notably the Cahora Bassa dam on the Zambezi River, which accounts for more than 80% of the national production.

Although the grid grew from 3691 km in 2003 to 5249 km by 2015, it is not yet dense enough to supply electricity in many rural areas, where 70% of Mozambicans live. The main challenge is therefore to extend the network—a task that, given the long distances and the distribution of the population over this 800 000 km² area, will require massive investments. It is also necessary to create connections between different sections of the national network, especially between the country's central and southern power systems. Another challenge is to improve the quality of the energy infrastructure; it is estimated that in 2017,

FIGURE 3: PLANNED ACCESS TO ELECTRICITY IN MOZAMBIQUE (IN MILLIONS)



● **technical losses on transmission lines** accounted for nearly 15% of the energy produced—less than the average in other ADF countries, but still a great deal.

The Government of Mozambique has made access to electricity one of its development priorities, setting an ambitious target of achieving 100% access to electricity by 2030. To this end, the Government developed a Strategy for the Development of New and Renewable

¹ The African Development Fund (ADF) is the concessional window of the African Development Bank (AfDB) Group. The 38 ADF-eligible countries include those that are increasing their economic capacities and heading toward becoming the new emerging markets, as well as those that remain fragile and need special assistance for basic levels of service delivery. See <https://www.afdb.org/en/about-us/corporate-information/african-development-fund-adf/about-the-adf/>

Light up and power Mozambique – Indicators	Mozambique		ADF countries	
	2007	2017	2007	2017
● Population with access to electricity (% population)	12.7	29	21.4	34.4
● Length of the electricity grid (km)	3 691*	5 249*	..	..
● Total installed electricity capacity (GW)	2.5	2.6	21.4	32.6
● Electricity losses through transmission, distribution and collection (% energy production)	14.5	14.7	15.0	16.6

The bullets indicate that: ● Progress is strong and better than peers ● Progress is positive but less than peers, or no progress against the baseline ● There has been regression against the baseline

Light up and power Mozambique – Bank's contribution	2007–2017			2018–2020
	Expected	Delivered	Rate	Expected
● New total power capacity installed (MW)	41	41	100%	200
● People benefiting from new electricity connections (number)	822 347	822 347	100%	..
● New or improved power distribution lines (km)	1 344	1 344	100%	..
● New or improved power transmission lines (km)	144	125	86%	100

The bullets indicate that: ● Bank operations achieved 95% or more of their targets ● Bank operations achieved 60–94% of their targets ● Bank operations achieved less than 60% of their targets

* For this indicator the period is 2003–2015.

Energies for 2011–2025 that includes specific measures to develop the mapping of hydro,

“ We see the African Development Bank as a trusted partner for energy sector development in Mozambique. Our vision is to transform Mozambique into an energy hub for the Southern African Development Community region, leveraging its geographical position as a gateway to six neighbouring countries and further expanding its energy export base by strengthening the regional interconnection system. ”

Mateus Magala
Chairman and CEO of Electricidade de Mozambique

wind, solar, biomass, geothermal and wave potential. To reach its target, Mozambique will have to unlock its huge renewable energy potential – estimated at 23 terawatts

– by combining conventional on-grid energy extension with off-grid technology. Off-grid technologies are very useful for supplying electricity in some rural areas, and they are much cheaper than grid extensions—as little as one-tenth the cost per connection. It is estimated that by 2022, the number of households electrified through off-grid solutions could increase from 300 000 to 1 200 000.

The Bank's support to the energy sector

The AfDB is an important partner of Mozambique in energy. In this sector, the Bank's interventions aim to improve connectivity and access to electricity, mainly in rural areas. Through the Electricity IV project, which was completed in 2017, the Bank considerably increased the number of ● **people with new electricity connections** in the Manica and Sofala provinces, in the centre of the country. This project also boosted the economic fabric along the Beira Corridor – a strategic development area for the country – by providing agricultural holdings and small businesses access to electricity to mechanise and boost the processing of commodities. In total, between 2007 and 2017, our investments increased Mozambique's ● **power production capacity** by

41 MW and facilitated access to electricity for more than 800 000 Mozambicans. We also financed 1350 km of ● **power distribution lines** and 125 km of ● **transmission lines** to meet the nation's grid expansion needs and reach some isolated areas. Between 2013 and 2017, we also provided technical assistance to support the Government's efforts to establish public-private energy partnerships and to carry out studies for two complex infrastructure projects.

Looking ahead

In the framework of the new CSP, the Bank will continue to support Mozambique in its goal of universal access to electricity. Our investments, both public and private, will focus on energy infrastructure and on improving the governance and regulation of the system. The Bank will also support innovative off-grid solutions to bring electricity to isolated areas and thus create small-scale renewable energy markets. ■

2





FEED MOZAMBIQUE

Agriculture is tremendously important to Mozambique's economy, but it is largely at the subsistence level. Productivity is low, reliance on food imports is high, and much of the population is food-insecure. Yet Mozambique has large areas of arable land and abundant water resources. The development challenge for the country is to harness this agricultural potential and transform subsistence industry into productive, competitive and sustainable agriculture, and to increase processing and value addition, contributing to food security and increasing family incomes in rural areas.

Agriculture plays an essential role in Mozambique's economy, contributing 24% of GDP and employing more than 70% of the working population. It is essentially subsistence agriculture, poorly mechanised and using few irrigation techniques and improved inputs. Most farms are small, family-run, and mainly subsistence. The main crops are maize (29%), cassava (13%), sorghum (11%), beans (9%) and rice (5%). Next in importance are cash crops: peanuts, sesame seeds, cotton, tobacco and cashews.

Mozambican ● **agricultural productivity** is among the lowest in the region, although it has increased slightly over the last 10 years. This increase is related more to the expansion of the cultivated areas than to the modernisation of the technologies. ● **Cereal yields** are among the lowest in the region: 0.8 tons per hectare compared to 1.5 tons in other low-income African countries. Yields of rice or cassava are also among the lowest in the region – for example, one-quarter of those in Zambia and one-third of those in Malawi.

Mozambique remains highly dependent on its food imports (rice, wheat, oil), which come mainly from South Africa and Asia. Given the country's current demographic growth, its food import dependence is expected to reach 25% by 2040.

The agriculture sector is also particularly vulnerable to the natural disasters – droughts and floods – that regularly affect the country. These phenomena influence food

insecurity: 7 million ● **people are hungry or malnourished** – about 25% of the population. However, this figure represents a significant improvement since 1990, when almost 60% of Mozambicans experienced food insecurity. To reach SDG 2, the Mozambican Government aims to eradicate hunger completely by 2030 and has a series of plans and programmes in place to achieve this goal.

The country's agricultural potential is huge. Mozambique's natural conditions could enable the development of a diversified and dynamic agriculture sector. Of 36 million hectares of arable land, less than 20% is currently used. While the country has 15 major river basins (9 are transboundary), only 150 000 ha are irrigated, of about 3.3 million hectares of irrigable land. By improving and modernising agricultural techniques, Mozambique could cultivate 38 million ha of maize, 33 million ha of cotton, 19 million ha of coffee, 18 million ha of soybeans and 12 million ha of rice to become one of the largest producers in the region. In addition, the country has significant fishing and forestry resources, also underexploited; they contribute only 3% of GDP.

The Mozambican Government has defined 15 strategic and six priority chains with a concentration of investments in six development corridors: Maputo, Limpopo, Beira, Zambezi, Nacala and Pemba-Lichinga. In these Agricultural Growth Corridors the focus is on suitable crops: for (i) Pemba-Lichinga, potatoes, wheat, beans, maize, soybeans, cotton, tobacco and poultry; (ii) for Nacala corridor, cassava,

Feed Mozambique – Indicators	Mozambique		ADF countries	
	2007	2017	2007	2017
● Agricultural productivity (constant 2010 US\$/worker)	287	332	573	691
● Cereal yield (ton/hectare)	1	0.8	1.4	1.5
● Number of people hungry/malnourished (millions)	8	7	162	192

The bullets indicate that: ● Progress is strong and better than peers ● Progress is positive but less than peers, or no progress against the baseline ● There has been regression against the baseline

Feed Mozambique – Bank's contribution	2007–2017			2018–2020
	Expected	Delivered	Rate	Expected
● People benefiting from improvements in agriculture (number)	309 000	240 000	78%	3 000 000
● — of which women	148 000	116 000	78%	1 800 000
● Agricultural land with improved water management (ha)	31 500	16 400	52%	12 000
● Rural population trained to use improved farming technology	40 500	24 000	58%	1 200
● Feeder roads built or rehabilitated (km)	88	88	100%	..

The bullets indicate that: ● Bank operations achieved 95% or more of their targets ● Bank operations achieved 60–94% of their targets ● Bank operations achieved less than 60% of their targets

maize, cotton, fruits, poultry and peanuts; (iii) for Zambezi Valley corridor, rice, maize, potatoes, livestock, poultry and cotton; (iv) for Beira corridor, maize, wheat, vegetables, soybeans, rice, livestock and poultry; (v) for Limpopo corridor, rice, vegetables, livestock and poultry; and (vi) for Maputo corridor, rice, vegetables, livestock and poultry. Some of these corridors have achieved progress in terms of agricultural infrastructure and institutions, while others have not yet begun any form of development.

Supporting agriculture sector productivity

Between 2007 and 2017, the Bank supported Mozambique's agriculture sector through nine operations worth more than \$120 million. Our investments have funded infrastructure to increase farmers' yields and productivity and have supported value chains, resilience to climate change, and innovative sustainable production techniques. These investments have enabled 240 000 ● **people to benefit from improvements in agriculture**. We have also improved access to agricultural production areas with nearly 90 km of ● **feeder roads constructed or rehabilitated**. Particularly notable have been our investments

on the trunk road in the fertile but remote Niassa Province.

Our investments have also increased Mozambique's ● **agricultural land with improved water management** by more than 16 000 ha. This is below our initial target but, as part of the next CSP, we plan to undertake several irrigation projects that by 2022 will increase irrigated areas by 12 000 ha.

Our irrigation projects, in particular the *Baixo Limpopo Irrigation and Climate Resilience Project* in the Xai-Xai region, increased agricultural productivity through the development of 3050 ha for cash crops (rice and vegetables) and of marketing and agro-processing facilities. The project benefited 8000 smallholder farm families whose annual rice and vegetable productivity increased to 6000 and 2400 tons, respectively.

In the southwest of the country, we supported the rehabilitation of the Massingir Dam, which was in danger of collapsing. Besides rehabilitating the dam, we enhanced smallholders' productivity in food crops by improving the irrigation and drainage infrastructure and training farmers to use modern agricultural technologies. This project increased the irrigated area from 20 000 ha

to 40 000 ha through 82 kilometers of canals and supported about 20 000 farmers. The rehabilitation of the Massingir Dam is expected to be completely finished by December 2018.

In total, our agriculture projects in Mozambique have resulted in nearly 25 000 **farmers trained in improved farming technologies**.

Our projects also supported farmers in remote areas of the country where it is difficult to produce and raise livestock. For example, in the Gaza region, the *Sustainable Land and Water Resources Management Project* strengthens communities' capacity to address the challenges of climate change (see Box 1). In particular, the project supported 7000 families in enhancing their water storage and food production and improving their resilience to climate change by diversifying their livelihoods. Over 70% of the targeted population of this project were women. With the introduction of irrigation systems through an innovative approach of irrigation

kits, small earth dams and multifunctional boreholes, the incomes of the small farmers have doubled. They can now grow all year round, diversify crops and significantly increase their yields. The multifunctional irrigation system introduced by the project is now being adopted by the Government of Mozambique and other development partners to address climate challenges and improve living conditions in rural communities.

The Bank was a pioneer in supporting a smallholder out-grower scheme that entails the block farming of contiguous areas and the establishment of supporting services for training, irrigation, and vertical integration. This approach is now being adopted by other development institutions.

Looking ahead

The second pillar of the new CSP will focus on agriculture. Under this CSP, the AfDB plans to

BOX 1: THE SUSTAINABLE LAND AND WATER RESOURCES MANAGEMENT PROJECT

Mozambique is seriously vulnerable to the effects of climate change, with erratic and inadequate rainfall and diminished farm productivity. This project, a pilot,^a was designed to address the climate-related challenges in the Gaza province districts of Guija, Mabalane, Chicualacuala and Massengena in southern Mozambique. It targets about 20,000 direct beneficiaries and 20,000 indirect beneficiaries.

Expected outcomes

- Enhanced and expanded water storage capacity, from the current 50 small earth dams, boreholes and water troughs to 116; also, installation of irrigation systems to increase food production, from 1.5–2.0 ton/ha major arable crops (maize and rice) up to 2.5–4.0 ton/ha.
- Improved resilience to climate change through diversification of livelihoods by installing 13 modern livestock facilities, including slaughterhouses.
- Restoration of natural habitats and landscapes by installing 13 community cashew cloning nurseries, reforestation 1500 ha of land, increasing conservation agriculture to 500 ha and reducing wildfires from 40 to 20 per year. Also, capacity training for members of the community to improve the maintenance of community infrastructure.

Implementation status

Implementation is well under way: the construction of small earth dams and multifunctional boreholes and of cattle water troughs is nearly complete; 56 sprinkler irrigation systems have been installed and are benefiting farmers; establishment of the regional cashew polyclonal camp in Massengena is ongoing; and capacity-building activities have taken place in such areas as climate change management, community development and training, monitoring and evaluation, financial management and development of a communication strategy.

^a Besides benefiting from an ADF loan, this project is one of two approved for Climate Investment Fund financing under the Pilot Program for Climate Resilience, which is part of the Strategic Climate Fund multidonor trust fund.

“ Before, when there was no rain, we had to wait until the rainy season starts to seed the plots. Now we can have maize, cassavas, onions and some other vegetables throughout the year. We expect to double our production this year! ”

Antonio Paoila Bolacha
Farmer in Chokwè



invest in agriculture in Mozambique, with the goal of increasing the incomes of the poorest populations and contributing to the creation of decent jobs through processing and integrated value chains. Bank investments in value-adding activities will have the biggest potential, considering the relative weight of agriculture in job creation coupled with the very small yields in a sector that still relies heavily on subsistence farming. To reduce the country's heavy dependence on food imports, it is imperative to increase productivity levels in the primary sector, freeing the necessary cash to take the sector to a more sophisticated level of industrialisation that is capable of diversifying Mozambique's export base and increasing the country's contribution to global value chains.

We will focus on promoting sector transformation by improving productivity, value addition and trade in regional and global markets. We will support the development of Staple Commodity Zones (“Agropoles”)—that is, geographic locations that are specifically developed to promote the aggregation and

development of agro-industries and would include structures such as storage facilities, silos, markets, service centres, warehouses, and processing facilities. We will support the promotion, development and upgrading of enabling infrastructures related to these zones, to engage the private sector in particular in promoting small and medium-sized enterprises (SMEs), value chains and linkages. The Bank will also support the development of regulatory frameworks, policies and enabling laws for a business-enabling environment and business-friendly climate.

In working to contribute to job creation, income generation and improved livelihoods in both urban and rural areas, the Bank will place particular emphasis on creating business opportunities and decent employment for women and youth along priority agricultural value chains. It will support the development of incubation centres to promote entrepreneurship and agribusiness and will provide advisor services and transfer of technologies to beneficiaries. ■

3





INDUSTRIALISE MOZAMBIQUE

The industrial sector—made up mainly of extractive industries and other stand-alone mega-projects—plays a limited role in Mozambique’s economy. It creates little added value, so that the country exports mainly unprocessed products. However, the forthcoming exploration of world-class gas reserves opens the way to significant industrial opportunities that use gas as an input, from fertiliser production to electricity generation. Despite efforts to improve the business climate, investing in Mozambique remains difficult. This chapter discusses the Government’s efforts to transform the sector and create jobs, and the Bank’s operations in support of those efforts.

Industry accounts for 15% of Mozambique’s GDP and employs less than 3% of the active population. The sector is made up mainly of extractive industries, which have developed strongly over the last 15 years. The largest industrial unit in the country is the Mozal aluminium smelter, which alone accounts for nearly 40% of the country’s industrial production and 25% of exports. It was developed in the early years of the 21st century, using large flows of foreign direct investment into the country. Natural gas exploitation (10% of exports), coal extraction (12% of exports) and heavy sand exploitation complete the extractive industries, which represent 60% of the country’s exports. The food industry represents 21% of industrial production, beverage production 10%, tobacco 9% and cement 5%.

In Mozambique, as in most sub-Saharan African countries, the industrial sector plays a relatively limited role in the economy, particularly in terms of creating jobs and contributing to poverty reduction—partly because of the sector’s low productivity, but also because it creates little added value. This leads the country to export mainly unprocessed products, which are then processed in other countries, although usually African supply chain. The private sector is composed mainly of individual entrepreneurs (93%) or micro and small enterprises (6.9%). Companies with more than 50 employees represent less than 0.1% of the companies in the country.

On the **World Economic Competitiveness Report** for 2017–2018, the country fell by three places and is now ranked 137th out of

138 countries, with a score of 2.9 out of 7. The main reasons for this poor ranking are the limited access to finance, high levels of corruption, inadequate infrastructure provision, inefficient regulation and weak and unskilled labour force.

Despite these weaknesses, the industrial sector has nevertheless grown over the last decade, largely because of the extractive industries. Mozambique’s **industrial GDP** (at constant 2010 prices) almost doubled in 10 years, from \$1.8 billion in 2007 to \$3.2 billion in 2017, while **gross fixed capital formation** (at constant 2010 prices) reached \$6.3 billion in 2017. However, the economy remains poorly diversified, as shown by the country’s low economic diversification index ranking of 0.6 out of 1 in 2017.

A challenging business climate

Despite the Government’s efforts to improve the business climate, investing in Mozambique remains difficult and fraught with bureaucratic hurdles, infrastructure gaps and other obstacles. This is reflected in the 2018 global Doing Business ranking, in which the country ranked 138th out of 190 countries worldwide (17th out of 51 in Africa), down 9 places since 2015. Access to financial and banking services also remains an obstacle to business creation and facilitation for many Mozambican entrepreneurs. Among SMEs, 75% do not have access to financial services, especially in rural areas. Although **access to finance** tripled between 2007 and 2017 to 33% of the population, this rate remains one of the lowest in the SADC region.

Industrialise Mozambique – Indicators	Mozambique		ADF countries	
	2007	2017	2007	2017
● Global Competitiveness (Index: 1 Low-7 High)	3.0	2.9	3.3	3.5
● Industrial GDP (constant 2010 US\$ billion)	1.8	3.2	86.6	130.0
● Value-added of manufacturing (constant 2010 US\$ billion)	1.3	1.4	34.5	45.1
● Gross fixed capital formation (constant 2010 US\$ billion)	1.3	6.3	73.7	136.1
● Access to finance (% population)	10.1	33.2	11.0	34.6

The bullets indicate that: ● Progress is strong and better than peers ● Progress is positive but less than peers, or no progress against the baseline ● There has been regression against the baseline

Industrialise Mozambique – Bank's contribution	2007-2017			2018-2020
	Expected	Delivered	Rate	Expected
● People benefiting from investee projects (number)	4 719	3 186	68%	3 152
● — of which women	2 359	1 593	68%	2 105
● MSMEs effect (turnover from investments) (US\$ million)	17	17	100%	..

The bullets indicate that: ● Bank operations achieved 95% or more of their targets ● Bank operations achieved 60-94% of their targets ● Bank operations achieved less than 60% of their targets

Today, the challenge for the authorities is not to focus just on megaprojects, as in recent years, but to diversify the economy and to begin supporting the development of small industries that create jobs. This will require addressing the country's structural shortcomings by developing appropriate infrastructure, strengthening human capital, providing entrepreneurship training, improving access to appropriate financing, and so on. It is in this spirit that in 2016 the Government launched a new industrial policy and strategy for 2016-2025, to which will be added support and other measures for SMEs.

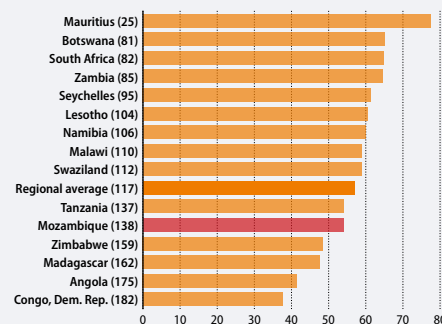
Supporting SMEs

The AfDB has developed several operations to directly or indirectly support the industrial sector in Mozambique. Our operations have notably supported micro and small enterprises, and the private sector. In total, over the last 10 years, nearly 5,000 people, half of them women, have ● **benefited from the results of our investment projects** in various sectors. The projects in which we have invested have also had a positive impact on ● **Mozambican SMEs**, generating \$17 million in additional sales.

In the central regions of the country, where poverty rates are high, since 2010 we have been

supporting a women's economic empowerment programme — the *Women's Entrepreneurship and Skills Development Project* (WESD) — that

FIGURE 4: HOW ECONOMIES IN SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC) RANK ON THE EASE OF DOING BUSINESS



Source: Doing Business report 2018.

has helped to improve women's lives and strengthen their capacities. This multi-phase programme has transformed poor and illiterate rural women into active entrepreneurs involved

in decision-making. It has empowered them to work as a team, participate in microfinance activities, improve the social status of their communities and manage successful businesses.

Among the results: 2910 women benefited from advanced training sessions in business start-up and entrepreneurship, 190 women's groups received training in basic management skills and

BOX 2: Project in the Field

In the framework of the WESD project, the ASCAS (Accumulating Savings and Credit Associations) were created to help newly trained entrepreneurs raise resources to start income-generating activities.

“ We produce maize and beans which we process in our factory, but we also process the crops of small farmers in the area. Thanks to the loan, we were able to buy the machinery needed to process the crops, then a tractor during the second phase of the project. Now that all our loans have been repaid, we are able to pay our employees, maintain our machines and make a profit.

Mulheres Chiverano
Association féminine



”

“ The loan I took out allowed me to develop my store which is now very profitable. I will take a second loan soon to buy a truck and grow again. That loan changed my life! The best proof is my daughter, who studied and became a nurse!

Muve Luis Manhate
Owner of the furniture store
Casa de mobiliano Alhamdulillah



”

“ I had started my store several years ago, but it was not profitable. Thanks to the loan, I was able to diversify my products and develop my business. Today, I was able to build my house and a warehouse to store my products. None of this would have been possible without this microcredit.

Maria di Fatima
Owner of a plastic bag company



”

1100 women received training in agro-business and agro-processing.

Supporting the private sector

Our support for Mozambique's industrial development is also reflected in the loans we provide to the national private sector. For example, since 2003, we have been supporting the Moma Heavy Sand Extraction Project in northern Mozambique, the largest heavy sand mine in the country. It is an important resource for the country, since heavy sand is now the country's sixth most important export product. We have also supported the Moza Banco through a \$9 million line of credit. This loan will help to finance Mozambican SMEs in areas such as agriculture, manufacturing, trade, tourism and construction.

Supporting the public sector for industrialisation

In the context of the [Growth and Public Sector Efficiency Programme¹](https://mapafrica.afdb.org/en/stories/P-MZ-K00-009.html), a budget support

programme carried out between 2011 and 2014, the Bank and its partners enabled the Mozambican Government to implement major reforms in the areas of job creation, promotion of good governance and macroeconomic and public finance management. This support also enabled more than 435 000 people to benefit from microcredit financing and 114 000 people to receive vocational training.

Looking ahead

In the Bank's next CSP for 2018–2022, support for Mozambican value chains and business development will be at the heart of our intervention strategy. In particular, the Bank will support the Government and the private sector in building up sustainable agribusinesses that are capable of creating value domestically. We will also support the industrial development of gas extraction, which represents huge opportunities for the country and in particular will advise on the policies needed to foster linkages between natural resource projects and small business. ■

¹ <https://mapafrica.afdb.org/en/stories/P-MZ-K00-009.html>

4





INTEGRATE MOZAMBIQUE

Regional integration is a fundamental element of Mozambique's development. With its 2700-km coastline, Mozambique offers access to the Indian Ocean and the global markets to five of its landlocked neighbours. In energy, the country's role in the Southern Africa power pool is growing, thanks to the significant resources that will eventually enable it to supply South Africa, Zambia, Malawi and beyond with electricity. If the country develops the transport infrastructure it needs, it should be able to export many agricultural products to the countries of the subregion. In addition, the development of the gas industry adds the promise for Mozambique to become an exporter of gas-based products such as fertilisers, fuels and petrochemicals. This chapter examines Mozambique's progress in enhancing its integration, and the Bank's contribution to that progress.

Mozambique is a founding member of the Southern African Development Community (SADC), established in 1980 by the Southern and Central African States. The regional integration index—which assesses African countries' degree of integration along six dimensions—ranks Mozambique 7th out of the 15 SADC countries. This index indicates that Mozambique must make efforts to facilitate the free movement of people and to develop transport infrastructure. Such measures will affect the ● **cost of cross-border trade**, which increased by almost 20% between 2007 and 2017—although this increase is rather low compared to the 41% increase in the rest of Africa. In recent years, the country has increased its share of ● **trade with other African countries** to nearly a third of its total trade, double the average of other African countries.

Mozambique has made infrastructure development one of its priorities. This is essential not only to ensure the country's economic success and to make the most of the benefits of natural resource discoveries, but also to achieve the social and spatial inclusion that the country desperately needs. Therefore, the Government plans to develop transport infrastructure in the country's most isolated settlements, to link fertile areas and areas from which natural resources originate with ports and foreign markets, and finally to strengthen the country's strategic position as a hub for regional transport. As part of this approach, for several years the Government has been working on development

corridors that open up areas and support the economic dynamism of entire regions.

Improving transport conditions

Mozambique's road coverage is among the lowest in Africa, both per capita (45th) and by land area (46th). Only 33% of the rural population lives within 2 km of an all-season road, and only 20% of the estimated 30 000 km of the classified network is paved; the balance of the mostly rural network is in poor condition. Sector reforms have created institutions that are responsible for the network and its financial administration, and the sector has experience in adopting good practices on public-private partnerships (PPPs) and outsourcing for maintenance operations; however, persistent challenges in financing, maintenance, planning, implementation and technical capacity continue to hinder the development of the subsector.

Mozambique has 3000 km of rail network through three independent corridors – South, Centre and North. There is no link between them, but each is connected to one of the country's three major ports—Nacala, Beira and Maputo. It is through these rail lines that neighbouring countries access the sea and Mozambique exports its products, particularly its raw materials (in 2017, 34% of freight traffic was transported by rail). Although much of the railroad infrastructure is in poor condition, many rehabilitation and development projects are under way, notably to permit the export of coal. These

Integrate Mozambique - Indicators	Mozambique		ADF countries	
	2007	2017	2007	2017
● Intra-African trade as a proportion of total goods trade (%)	29.5	30.6	27.7	15
● Cost of trading across borders (\$)	1 120	1 350	1 840	2 603

The bullets indicate that: ● Progress is strong and better than peers ● Progress is positive but less than peers, or no progress against the baseline ● There has been regression against the baseline

Integrate Mozambique - Bank's contribution	2007-2017			2018-2020
	Expected	Delivered	Rate	Expected
● Transport: roads constructed or rehabilitated (km)	858	811	95%	202
● Transport: people with improved access to transport	765 891	765 891	100%	311 405
● — of which women	386 552	386 552	100%	155 149

The bullets indicate that: ● Bank operations achieved 95% or more of their targets ● Bank operations achieved 60-94% of their targets ● Bank operations achieved less than 60% of their targets

projects, which also entail increasing the capacity of terminals and ports (Beira, Nacala) require major investments, which are carried out through partnerships with traditional donors or private partners.

To increase trade with its SADC neighbours, Mozambique has relied on the development of air transport through its national airline, Linhas Aéreas de Moçambique. This also promotes the tourist development of the country, for which the potential is enormous. Nevertheless, very high domestic fares (27% more expensive than in Tanzania, for example) and the monopoly of the national airline are holding back the development of this sector. The recent opening of the domestic market to other airline companies is expected to introduce competition and, hence, a drop in fares.

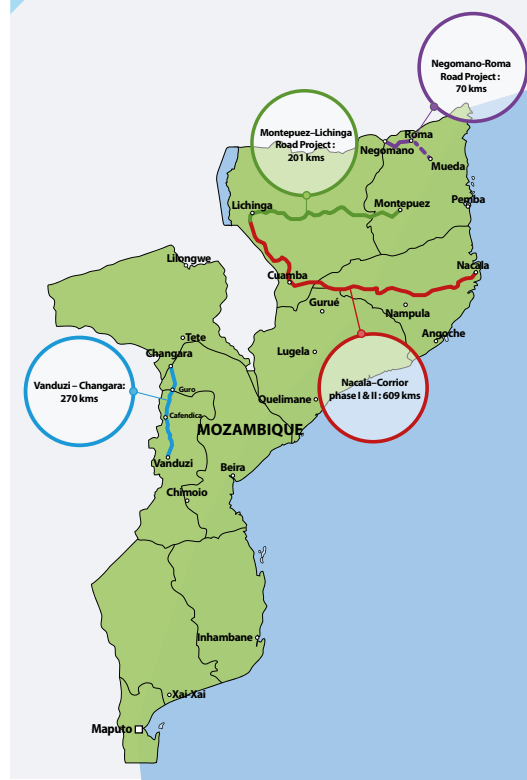
The Bank's strong engagement in the transport sector

Transport now represents the largest sector in the Bank's portfolio in Mozambique (66% of the active portfolio in December 2017). In particular, the Bank has engaged with the Mozambican Government in road financing by focusing on key corridor and road projects. Between 2007 and 2017 we have ● **built or rehabilitated 811 km of roads**, so that nearly 770,000 ● **people have benefited from improved transport conditions**.

We supported the rehabilitation of the 270-km road between Vanduzi and Changara, in

the west-central part of the country, which was completed in 2011. This project has

FIGURE 5: THE ROAD PROJECTS SUPPORTED BY THE AfDB (2007-2017)



BOX 3: ANCHORING THE NACALA PORT AS AN ENTRY POINT FOR THE REGION

The African Development Bank, through its private sector window, has facilitated one of the largest private sector investments in Africa: a rail corridor project, with a total value of more than \$5 billion, leveraging 6 times the Bank's \$300 million contribution, that will facilitate trade between Mozambique's western provinces, landlocked Malawi, and the deep-water port of Nacala. In particular, this 900-km railway axis will increase coal exports from the Moatize mine to a brand-new coal terminal in Nacala. It is estimated that by the end of 2018 these exports could increase by 40% and thus generate significant revenues and foreign exchange earnings for the country. The project will also increase the corridor's freight capacity to 6 million tons per year, enabling agricultural producers in western Mozambique and Malawi to access markets. The project, which is estimated to have generated almost 2/3 of Mozambique's economic growth in 2017 has the potential to catalyse further rail interlinkages with Zambia and Tanzania. In addition, the Fund for African Private Sector Assistance is helping Mozambican and Malawi SMEs, in particular in agribusiness, to maximise the benefits of this new railway axis. This project enables Mozambique to consolidate its position as a regional entry point to access world markets.

THE RAIL CORRIDOR IN FIGURES

18 million tons of coal
6 million tons of non-coal commodities
Exported / year

1500 jobs created

2 cargo trains / day
1 passenger train / day

facilitated access to transport for nearly 100 000 inhabitants of this remote region, and has facilitated trade with Malawi, Zambia and Zimbabwe through the port of Beira.

We support the road corridor project between Lichinga and Montepuez, which crosses the two relatively underdeveloped and isolated northern provinces of Niassa (one of the most remote areas of Mozambique) and Cabo Delgado, the hinterland of the port of Pemba. This road corridor will provide a better link between these two provinces and the rest of the national road network and will open up one of the richest agricultural regions in the country for cereals and cash crops (tobacco and cotton) by offering farmers access to markets. This axis will also improve access to social services for rural communities in these remote regions.

We have also funded part of the Nacala Road Corridor Rehabilitation Project, which extends over 1000 km between Zambia and the city of Nacala. This project was one of SADC's priority projects because it will eventually boost trade and facilitate the transport of people and goods

throughout the subregion, halving the road transport time between the port of Nacala and the Zambian border. It is estimated that in both the short and long terms, nearly 500 000 people in Niassa province will directly benefit from the corridor through improved transport links, social facilities, and job opportunities.

Looking ahead

The Bank will continue to give regional integration great attention in the next CSP. We know that road corridors are essential for developing the country's economic activity and linking rural areas to local and regional markets. These regional linkages will be strengthened and complemented by increasing the interconnectivity of power systems and developing integrated corridors that can facilitate the development of SMEs, to generate decent jobs. To finance the major infrastructure projects that are necessary for regional integration, the Bank will mobilise private and public resources and will also develop more innovative solutions involving private cofinancing, such as PPPs. ■

5





IMPROVE THE QUALITY OF LIFE OF MOZAMBIicans

Improving the quality of Mozambicans' lives means giving them easier access to basic services, such as health, education and quality drinking water. Mozambique has made significant progress in these areas and continues to invest to ensure that people have access to these basic services. These investments are often made with the AfDB, which is particularly active in the water and sanitation sector.

Poverty in Mozambique has gradually declined over the last few years, with the share of ● **people living below the poverty line** falling from 51.7% in 2008 to 46.1% in 2015, and in rural areas from 53.8% to 50.1%. The decrease was much steeper in the towns – from 46.8% to 37.4%. However, in the three northern provinces of Nampula, Niassa and Cabo Delgado, the poverty rate remains high.

A strong Government commitment in the social sectors

Compared to the average of low-income and sub-Saharan African countries, Mozambique has spent more on education as a share of total government spending and GDP, with positive results. In 2017, the ● **gross primary school enrolment rate** was 106.3%, above the average for other African countries. However, the overall quality of education remains a concern, as only 37.5% of enrolled primary students make it to the final grade of primary school. The higher education system has increased rapidly, from 12 000 students in 2000 to 180 000 in 2017, and has grown from being almost completely concentrated in Maputo to having a presence in all provinces; however, there are still geographical and gender disparities. In 2017 the ● **enrolment rate in technical and vocational training** was 5.1%, well below the average for sub-Saharan African countries.

Mozambique's low education levels are a major hindrance to employment and productivity. Although the country has been investing in education, most children who complete primary

school do not have the basic skills required to access future learning, hindering the probability of entering the labour market. Informal economic activity is predominant. The ● **unemployment rate** in 2017 was 22%, with a notable difference between women (24.2%) and men (20.6%). The ● **youth unemployment rate** is at 41.7%, above the average in the rest of the continent. It is estimated that around 87% of Mozambican youth are employed in vulnerable jobs, mainly in subsistence agriculture or in the informal sector. Over the period 2007–2017, our support in Mozambique has contributed to nearly 27,000 ● **direct jobs created** and has helped to strengthen the capacities of over 28,000 ● **people trained** through programmes in various sectors of the economy, such as water and energy management and agriculture.

The Government has mobilised significant international support for health. With increased per capita health spending (7% of GDP in 2016), Mozambique has made substantial improvements in child mortality and life expectancy over the past 15 years. ● **Life expectancy in Mozambique** has increased from 53 years in 2007 to 58 years today—but it is still below the African average of 60 years. Infant and child mortality, although halved over the past 15 years, remains high: 53 children/1000 die before the age of 5. Undernourishment and weaknesses in the health system are the main causes of these deaths. Finally, HIV prevalence remains a major concern in Mozambique, with 13% of adults living with HIV; in recent years, with international support, the Government has redoubled its efforts to

Improve Mozambicans' quality of life – Indicators	Mozambique		ADF countries	
	2007	2017	2007	2017
● People living below the poverty line (%)	54.1	46.1	48.1	43.8
● Gross primary school enrolment ratio (%)	105	106.3	95	100
● Enrolment in technical/vocational training (%)	6.7	5.1	8.6	11.4
● Life expectancy	53	58	55	60
● Unemployment rate (%)	24.3	22	7	6.3
● Youth unemployment rate (%)	42.9	41.7	10.9	10.2
● Access to safely managed drinking water services (% population)	46.3	51.1	58.1	60.6
● Access to safely managed sanitation facilities (% population)	17.4	20.5	22.3	25.7

The bullets indicate that: ● Progress is strong and better than peers ● Progress is positive but less than peers, or no progress against the baseline ● There has been regression against the baseline

Improve Mozambicans' quality of life – Bank's contribution	2007-2017			2018
	Expected	Delivered	Rate	Expected
● Direct jobs created (number)	40 658	26 540	65%	1 182
● – of which women	20 316	13 241	65%	624
● People trained across Bank operations (number)	42 815	28 601	67%	1 182
● – of which women	20 998	13 875	66%	624
● People benefiting from better access to education	33 796	33 796	100%	..
● – of which women	17 070	17 070	100%	..
● People with new or improved access to water and sanitation (number)	1 897 797	1 840 083	97%	6 052
● – of which women	963 934	933 947	97%	3 060

The bullets indicate that: ● Bank operations achieved 95% or more of their targets ● Bank operations achieved 60-94% of their targets ● Bank operations achieved less than 60% of their targets

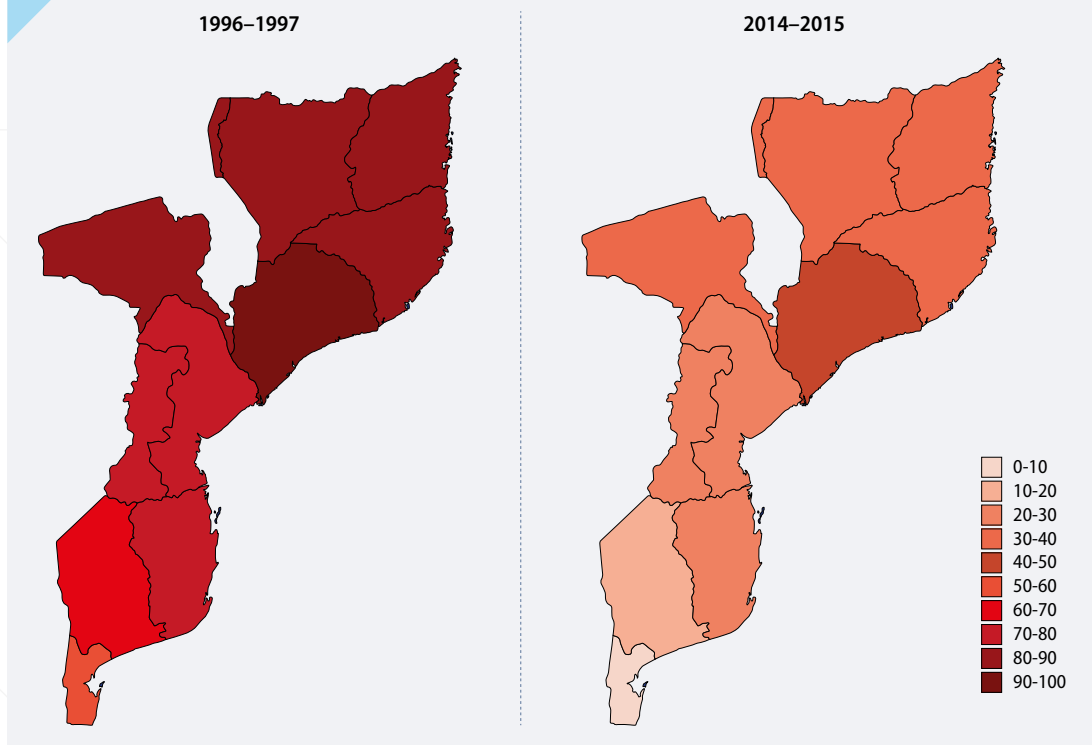
address this disease by significantly increasing antiretroviral treatment coverage and HIV testing. Between 2011 and 2014, expanded treatment coverage for pregnant women living with HIV resulted in a 73% reduction in new HIV infections among children.

Access to safe drinking water remains difficult

The country did not attain the Millennium Development Goal for urban and rural water and sanitation: by 2017 only 51% of ● **people had access to safely managed drinking water services**. While this figure represents significant progress since 2007, it masks substantial disparities between urban areas, for which distribution networks must keep pace with growth, and rural areas, where water

infrastructure is often lacking. With regard to sanitation, 20.5% of ● **people have access to safely managed sanitation facilities**, compared to 17.5% in 2007. Again, there are enormous disparities between urban and rural areas. To address this vital issue, the Government developed the National Urban Water and Sanitation Strategy (2011-2025). The strategy envisions several solutions, including a deeper engagement of the private sector, to strengthen investment in this area.

Mozambique has made good progress towards gender equality. It has supported the promotion of women in government, passed legislative regulations for women, launched campaigns to raise awareness of women's rights, and promoted gender parity in education. The country has an increasing proportion of women in leadership positions: currently 39.2% of the members of

FIGURE 6: POVERTY INCIDENCE IN MOZAMBIQUE, BY REGION, OVER THE PAST 20 YEARS (%)

Parliament are women—the fifth-highest share in Africa and twelfth-highest in the world. In 2015, Mozambique was ranked 16th in the Africa Gender Equality Index published by the AfDB.

The Bank's support

The AfDB has for many years been helping to improve the quality of life of Mozambicans, particularly in the water sector. Between 2007 and 2017, we provided more than 1,800,000 people, half of them women, with **access to safe drinking water**. In particular, the Rural Water Supply and Sanitation project has significantly improved access to safe water and sanitation in Nampula and Zambezi provinces. This project delivered 570 new and rehabilitated water points, 4 small piped systems and 100,000 household investments in improved latrines, giving about 225 000 people from the rural areas of those regions access to water supply services and 500 000 people

access to improved sanitation services. In addition, we trained about 200 000 people from the Government, the private sector and nongovernmental organisations in hygiene and sanitation practices.

Our projects in the water sector have also improved access to quality water in two cities in the north of the country. In Cuamba and Lichinga, 90% and 70% of the population, respectively, benefited from increased water supply coverage because a new water treatment plant and 40 km of transmission lines were built, a pumping station rehabilitated and 2000 connections established. Between 2003 and 2010, we also funded an urban water supply programme, Urban Water Supply, Sanitation and Institutional Support. This project has increased access to and improved the quality of water supply and sanitation services for 250,000 people in the cities of Chokwe, Inhambane, Maxixe, Xai-Xai, and now Massingir. The project also had a training component

“ This water pump changed our lives. We used to have a big problem with the water quality, we had to walk for more than a few km to get some good water. We all had some family water holes but the water was always polluted and sometimes we couldn’t drink the water, kids were regularly sick. We had to travel to the nearby hospital to get water from their water pumps. Now we are sharing this water pump, we are more than 40 families using this one. We are taking a great care of it, we are maintaining on a monthly basis, we elected someone in charge of the repair, and he was trained to fix all the small repairs. The committee meets every month, we have a schedule for maintenance, every three months some spares need to be changed, and we meet on a regular basis to see if there is a problem among all the families using the water. ”

Herminia Armando,

Namialo



to build the capacity of water management personnel in these cities.

In the education sector, since 1989 we have supported the Government of Mozambique through four successive projects. The first projects (*Education I, II, III*) mainly supported the primary cycle and made it possible to increase the quality of education by the training teachers.

The successful increase in enrolments in primary education over the last decade has put secondary education under high pressure. The number of pupils needing access to secondary education already far exceeds Mozambique’s capacity. Therefore, the *Education IV* project (2002–2011) focused on secondary education in the northern provinces, providing ● **improved access to education** for nearly 34,000 pupils.

In the health sector, the Bank has financed the construction of health training centres and health centres—for example, the Nacala District Hospital. This facility was inaugurated

in 2011 with an inpatient capacity of 240 beds distributed in the medical, pediatric, surgical, gynecology and maternity wards, serving patients from the districts of Nacala-a-Velha, Mossuril, Memba and Monapo in the province of Nampula. In 2013, this health facility was distinguished as offering the country’s best health care to maternity patients. It was also distinguished as being the second-largest health unit in the country in the prevention and control of infections, and as having Mozambique’s fifth-best model ward.

As part of the new 2018–2022 CSP, we will continue to support the Mozambican Government in improving access to water and sanitation. We will focus in particular on supporting the country’s small and medium-sized cities—particularly those located in development corridors and experiencing significant population growth linked to mining and gas activities—including through planning and technical advice that allows sustainable urban growth at the service of citizens. ■



THE BANK'S EFFECTIVENESS IN MANAGING ITS OPERATIONS IN MOZAMBIQUE

Our Results Measurement Framework provides indicators that allow us to examine the effectiveness with which the Bank manages its operations in Mozambique. We assess how the Bank has supported the country with flexible financing, rigorously designed programme models and appropriate delivery mechanisms. We also assess policy advice to the Government and collaboration with other development partners to maximise aid effectiveness. Finally, we examine our organisational effectiveness, how we decentralise our operations, business processes and human resources management to be closer to our clients.

Our successive country strategies in Mozambique are aligned with Government priorities as well as with national policies and objectives. Our CSPs determine our objectives and resource allocation decisions, as much as they reflect our priorities and comparative advantages as a development partner.

Portfolio performance

We closely monitor the performance of our portfolio, which reflects how well our operations are implemented. As of December 31, 2017, our portfolio in Mozambique consisted of 20 country operations representing \$623 million and 2 multinational projects for \$164 million. Our support to the private sector represents nearly 8% of our total portfolio and is composed of three operations for a commitment of \$51.3 million. This amount is further increased by the \$300 million investment in the Nacala rail and port project. In terms of sectoral distribution, 66% of our portfolio is committed to transport projects, 16% to agriculture and 10% to energy (see Figure 7). Our overall commitment to Mozambique accounts for about 7% of the resources we allocate to the Southern African region as a whole.

Quality and efficiency of operations

Since 2007, the performance of our operations has been rated satisfactory, although this trend

has deteriorated in recent years. Our ● **portfolio rating indicator** fell from 3.13 to 2.7 on a scale of 1 to 4 between 2007 and 2017, mainly because of delays in project implementation and procurement. The ● **time between project approval and first disbursement** improved from 19 months in the last years, well above the average of 12 months in other ADF countries, to 9 months by the end of 2017. In terms of procurement, the ● **time for procurement of goods and works** (international competitive bidding) was 9 months in 2017, just above our target of 8 months. To reduce procurement delays, we are putting in place measures to increase the use of Mozambican Government systems in accordance with our procurement policy and our commitments through international agreements. We are also working to further improve the speed of implementation through more use of advanced procurement. The Bank will continue to provide regular fiduciary clinics on procurement, financial management, and disbursement to reinforce project implementation units' capacity in fiduciary management.

The pace at which we implement our operations is an important indicator for achieving our results. That is why we monitor the ● **disbursement rate** of our operations with great interest. This rate rose from 5% in 2007 to 34% in 2017, well above the Bank's average of 21%. It reflects the efforts we have made in recent years to improve

AfDB's effectiveness in Mozambique: Indicators	2010	2014	2017	2017 target	ADF 2017
● Portfolio performance	3.13	3.36	2.7	..	..
● Time taken from approval to first disbursement (months)	19	11.2	7	12,7	12,7
● Percentage of projects at risk in portfolio (%)	57	8	9	14	11,4
● Ageing projects	..	2	4	..	..
● Annual disbursement rate (%)	5	37	34	22	21
● Time for procurement of goods and works (months)	..	..	9	8	8,2
● Operations managed from the country office (%)	..	29	55	65	76
● Proportion of women on staff (%)	..	38	33	29	28
● Number of cofinanced projects	..	5	4	..	..
● Quality of Country Strategy Papers (scale 1-4)	3 (2011)	..	3	3.38	3.1
● Quality of new operations (scale 1-4)	3,0	3,0	3,0	3,3	3,1
● New projects designed that take into account gender equality (%)	..	100	100	79	82
● Completed operations with a timely completion report (%)	..	75	67	67	65
● Operations that achieved planned development outcomes (%)	..	100	100	91	88

The bullets indicate that: ● We have achieved at least 90% of the 2017 target ● We have achieved 80%-90% of the 2017 target ● We have achieved less than 80% of the 2017 target ● Data are not available to measure progress

project quality at entry and conduct annual portfolio reviews. These reviews bring together all stakeholders of our portfolio to review the projects, identify issues, and propose a portfolio improvement plan with concrete actions to address the issues identified. This is an essential mechanism for monitoring and improving the performance of our project portfolio.

We are committed to keeping the number of projects at risk in our portfolio at a sustainable level. In Mozambique, regular monitoring of our operations and better anticipation of problems reduced the ● **projects at risk** from 57% in 2010 to 9% of the portfolio in 2017, below the ADF average of 11.4%. However, the number of ● **ageing projects** in our portfolio – those over 8 years old – has increased in recent years because of implementation delays. This number will decrease again in 2018 as two of these projects are closed, after achieving their objectives.

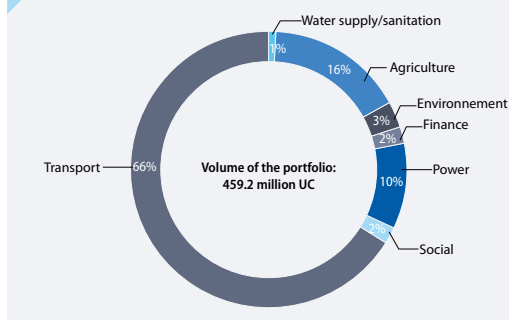
Quality at entry

The sound design of our projects determines the achievement of the expected objectives. To

ensure that our projects meet the institution's quality criteria, we have a project entry review process – the readiness review – in which we review eight elements that are essential to project quality: alignment and strategic fit, lessons learned from prior operations, rationale and ownership, focus on results and risk assessment, implementation arrangements, financial management/procurement, environmental and social considerations, and gender. Between 2010 and 2017 all ● **our new operations in Mozambique** were rated satisfactory (score of 3 out of 4). Similarly, 100% of our ● **new operations are designed taking into consideration the gender dimension**.

We also measure the ● **quality of our Country Strategy Papers** using a readiness review tool. On a scale of 1 to 4, the CSP covering the period 2011– 2015 was rated 3 in 2011, which means that it was considered satisfactory. The recently adopted CSP for the 2018–2022 period also received a rating of 3, showing that our quality criteria were taken into account. The new CSP also benefited from lessons learned from an overall performance evaluation in Mozambique

FIGURE 7: THE PORTFOLIO IN MOZAMBIQUE (AS OF DECEMBER 31, 2017)



that analysed our performance over the period 2004–2013. This evaluation, conducted by our Independent Evaluation Department in 2016, highlighted the need for greater selectivity in operations, improved project design and oversight, and more flexible procedures. We are in the process of applying the lessons learned to our operations in Mozambique.

Learning from operations

Our Project Completion Reports allow us to learn from completed operations. In 2017, as in 2014, 100% of our **completed operations achieved the expected development outcomes**. However, the **rate at which we submit our completion reports** has declined slightly in recent years, from 75% in 2014 to 67% in 2017, but remains better than the 65% average for our overall operations in ADF countries. This reflects the increased number of operations in the Bank portfolio. Project managers often focus more on project design and implementation than on project completion, a tendency that we are addressing in the institution.

An important element of our cooperation with Mozambique is generating knowledge products that help to strengthen national development policies and guide our operations. Over the past 10 years, we have completed the Green Economy Action Plan and the Domestic Resources Mobilization Study, and we are finalising a Geological and Mineral Study of Mozambique. In addition, we organised an international high-level policy seminar in Maputo on the topics of managing revenues and optimising the benefits of coal and gas resources. Going forward, the Bank will continue to provide knowledge products and

advisory services in issues key to Mozambique's development such as sustainable management of natural resources and of the public finances.

Getting closer to our clients

The Bank has had a presence in Maputo since 2006. As at December 31, 2017, the country office had 15 staff, **33% of whom were women**, a figure that is roughly equal to the Bank's average (29%). Today, **55% of our projects in Mozambique are managed from the Maputo office**, compared to 29% in 2014, bringing us closer to our partners and improving the quality of supervision of our operations. However, we have not yet reached the level of decentralisation of the rest of the Bank's offices. From 2011 to 2015, our Mozambique portfolio almost tripled in volume while the number of lending operations doubled—an increase that was made possible by our team on the ground, which is continually strengthening ties with both the Mozambican Government and other development partners. Moreover, our presence in the country has strengthened the quality of the relationship and partnership with both local authorities and the community of development partners that are active in the country. We cofinanced operations with the International Fund for AGRICULTURAL Development (IFAD), Japanese Cooperation (JICA), Organization of Petroleum Exporting Countries (OPEC), Climate Investment Fund and other partners, and we are currently managing a total of four **cofinanced projects**. These partnerships allow us not only to mobilise more funding, but also to coordinate and harmonise our support across the country. Our country office is also well connected with other Bank offices in the region: its staff manage some projects in other countries, and, in addition, the country office benefits from the expertise of our Pretoria-based regional office for Southern Africa, in particular its specialised fiduciary services and sector staff expertise.

With our presence in the country, we are able to be more visible and actively participate in coordination groups and events organised in the country. The Bank was a member of the G19 Group, the country's aid coordination group providing budget support (currently suspended), and it actively participates in several sectoral and thematic subgroups. In particular, the Bank led the thematic Transport and Water & Sanitation and Agriculture groups, sectors in which we have long and solid experience. ■

CONCLUSION

This Mozambique Results Brief shows the considerable progress Mozambique has made over the past 10 years. It also traces the AfDB's contribution to the country, particularly in the transport, water and agriculture sectors.

Despite the recent economic crisis, Mozambique's prospects are encouraging, in particular because of the country's significant natural resources. Nevertheless, the country must succeed in making its growth more inclusive and reducing poverty, which remains very high, particularly in the rural areas. To meet these challenges, the Government and its partners must accelerate the pace of implementation of public policies within the framework of the ENDE, the national development strategy. Mozambique's goals are particularly ambitious: it aims to achieve universal access to electricity by 2030, transform its agricultural sector and value chains, establish and promote development corridors in the north and centre of the country, diversify the economy, and also enable the poorest Mozambicans to access education and health services by continuing to devote a significant share of its budget to these sectors.

The AfDB, Mozambique's partner for the past 40 years, will continue to accompany the country on the path of inclusive development through its new CSP 2018–2022. Under this CSP the Bank will support Mozambique in developing a green and inclusive growth model, achieving a structural transformation and level of industrialisation that can provide decent job opportunities for the rural population to evade poverty, fostering human development, and ensuring the sustainable management of natural resources and the revenues they bring. ■

About this publication

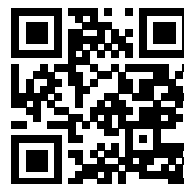
Since 2011, the African Development Bank (AfDB, or the Bank) has produced an Annual Development Effectiveness Review that assesses the Bank's overall contribution to development results in Africa. The Annual Review is complemented by a series of thematic reviews covering AfDB's activities in its regional member countries.

This Country Results Brief is part of a series of summary reviews that examine ongoing operations in individual regional member countries. The Bank appreciates the high level of dialogue it was able to hold with country authorities during the preparation of this review — a collaboration that highlights the quality of the partnership between the institution and the country.

Like other Development Effectiveness Reviews, this report is intended for the general public and aims to strengthen our institution's transparency and accountability to our partners. It is innovative in its conciseness and its focus on the bank's High-5 priorities. It also serves as a major additional management tool to facilitate the continuous improvement of our operations and organisation.



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